

BUDGET SUMMARY HIGHLIGHTS



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Prepared by the
Department of Finance

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To meet the needs of a changing California, the Governor's Budget for 1997-98 builds for the 21st Century by providing increased investment and new initiatives in key areas:

- ◆ It promotes a competitive business environment, through tax reform and infrastructure investment.
- ◆ It increases investment in education, by expanding the Governor's Class Size Reduction initiative to kindergarten through third grade, and by expanding the Governor's reading initiative to grades four to eight.
- ◆ It emphasizes self-sufficiency and personal responsibility, through welfare reform and prevention programs designed to address societal problems before they require remediation.

MAINTAINING FISCAL DISCIPLINE

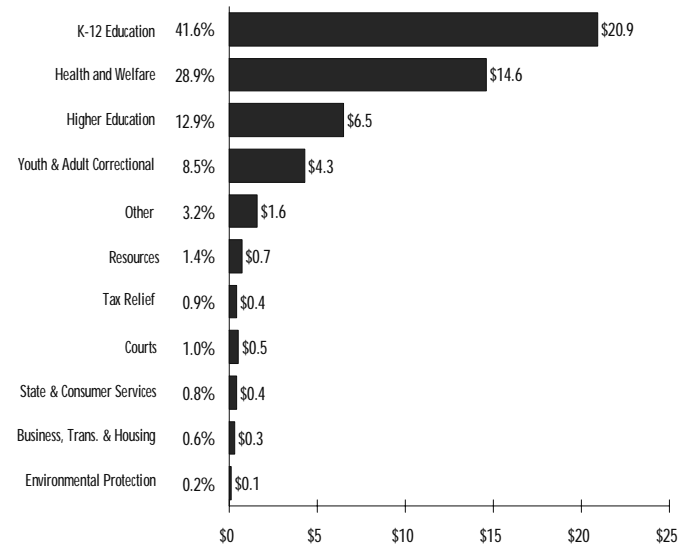


GENERAL FUND REVENUES AND EXPENDITURES (Dollars in Billions)

| | Revenues | Expenditures |
|---------|----------|--------------|
| 1991-92 | \$42.0 | \$43.3 |
| 1992-93 | \$40.9 | \$40.9 |
| 1993-94 | \$40.0 | \$39.0 |
| 1994-95 | \$42.7 | \$42.0 |
| 1995-96 | \$46.3 | \$45.4 |
| 1996-97 | \$48.4 | \$48.4 |
| 1997-98 | \$50.7 | \$50.3 |

- ◆ The Budget keeps California living within its means—General Fund spending is held below revenues.
- ◆ General Fund expenditures for 1997-98 have increased by 16.2 percent over 1991-92 levels, while revenues for that same time period have increased 20.7 percent.
- ◆ When comparing expenditures in constant (inflation-adjusted) dollars, 1997-98 General Fund expenditures are only 1.4 percent above 1991-92 levels.
- ◆ The Budget provides for a General Fund Reserve for Economic Uncertainties of \$553 million.
- ◆ California continues to have fewest workers per capita of any state in the nation.

1997-98 GENERAL FUND EXPENDITURES (Dollars in Billions)

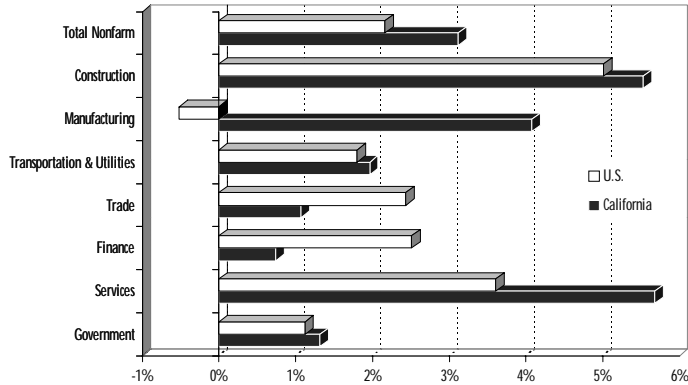


- ◆ K-12 Education remains the state's top funding priority—nearly 42 cents of every General Fund dollar is spent on K-12 Education.
- ◆ Combined with higher education funding, the State will spend nearly 55 cents of every General Fund dollar on education.
- ◆ Education, public safety, and health and welfare expenditures constitute nearly 93 percent of all state General Fund expenditures.

THE ECONOMY

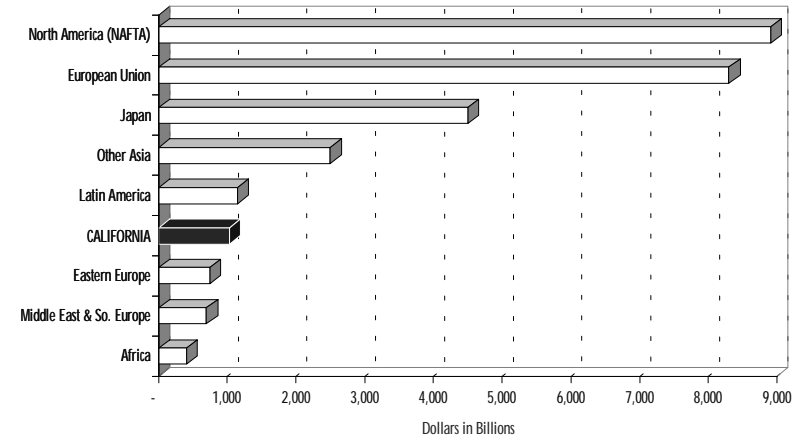


Nonfarm Employment - California and U.S. Percent Change, November 1995-96



- ◆ California's economy is in a period of strong, sustained growth. Last year, the State added more than 330,000 nonfarm jobs, while personal income grew by more than \$55 billion. The State is expected to add another 330,000 jobs this year and create more than a quarter million new jobs in 1998.
- ◆ The State is outpacing the nation in job growth and income gains. California nonfarm employment was up three percent over the year-ago level, compared to the nation's two-percent increase. California personal income grew an estimated 7.2 percent last year, well above the nationwide gain of 5.5 percent.
- ◆ California's economic expansion is being fueled by strong growth in high-technology industries, including computer software, electronics manufacturing and motion picture production.

California Among World Regions (Gross Domestic Product, 1997)



- ◆ California factories are adding jobs at better than a four-percent annual pace—in sharp contrast to manufacturing job losses nationwide.
- ◆ California's economy will pass a major milestone in 1997 as gross state product—the total value of all goods and services produced in the State—passes the \$1 trillion mark. As a separate nation, California's economy would rank 7th in the world, ahead of China and behind the United Kingdom.

ECONOMIC GROWTH FOR THE 21ST CENTURY

- ◆ While California's economy has grown rapidly over the last two years, maintaining this growth cannot be taken for granted. California's continued success depends critically on maintaining and improving the State's business environment—including the areas of business taxation, the regulatory environment, infrastructure, and the facilitation of foreign trade.
- ◆ The Budget proposes to reduce the Bank and Corporation Tax by 10 percent over two years, 5 percent each in 1998 and 1999. In addition, simplified requirements for Subchapter S corporations are proposed by conforming to recently enacted federal rules relating to the number of shareholders.
- ◆ The Budget includes a \$200 million General Obligation Bond proposal to fund the California Infrastructure and Economic Development Bank. This Bank will consolidate administrative financing authorities into a single entity within the Trade and Commerce Agency, assisting businesses and local governments in the financing of the critical infrastructure necessary for economic growth.
- ◆ The Budget proposes \$939,000 to create three new trade offices—two in Asia and one in South America—to provide California companies with representation and assistance in these rapidly growing, emerging markets. Exports are a major engine of growth and these new offices will contribute to California's ongoing strength in international exports of goods made in California.

PROGRAM EXPENDITURES



ELEMENTARY & SECONDARY EDUCATION

Building a Foundation

The Budget proposes to continue and expand a variety of reforms for California's K-12 school system with a particular focus on skills development and sustainable achievement in the early grades. It includes:

- ◆ \$488 million to fully implement the Class Size Reduction Program in all grades Kindergarten through three. Of this amount, \$304.3 million is to implement the program in one additional grade.
- ◆ \$60 million to improve teaching skills and pupil achievement in reading and math with an emphasis on the improvement of reading instruction now expanded to include the upper elementary and middle grades.
- ◆ \$10 million to expand the Beginning Teacher Support and Assessment Program.
- ◆ An additional \$10 million for pupil tutoring and mentoring through the Student Academic Partnerships and the Academic Volunteer and Mentor Program.
- ◆ Continued development and implementation of the State's assessment programs, including the Pupil Incentive Testing and Golden State Examination Programs, and the statewide pupil assessment instrument.

- ◆ \$50 million to begin an initiative to fully integrate technology into high school programs within four years, and \$10 million to continue the program through which donated computers are refurbished and provided to schools.
- ◆ Statutory reform of the special education funding formula will be proposed, utilizing \$76.7 million for equalizing funding rates.
- ◆ Statutory change to combined voluntary integration programs with the Economic Impact Aid Program, which also targets disadvantaged youths, but affords school districts increased flexibility.
- ◆ A \$2 billion school construction bond, which will include significant reforms to simplify the current, overly cumbersome approval process, and will provide additional facilities for class size reduction, along with facilities to accommodate continued enrollment growth.

The Commission on Teacher Credentialing

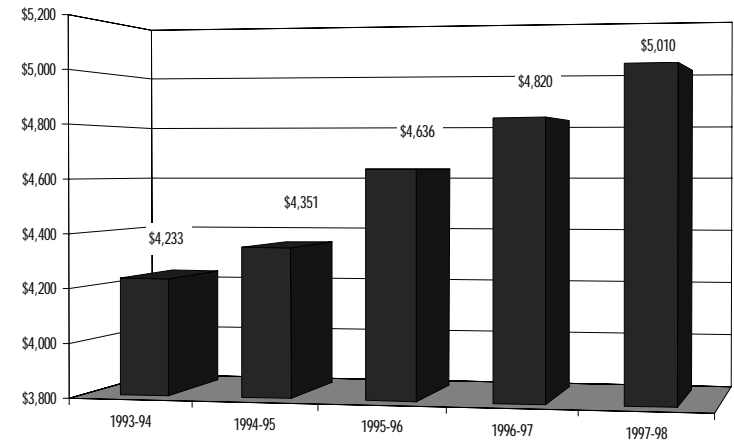
- ◆ \$4.5 million in Proposition 98 General Fund for 1996-97 and 1997-98 is proposed for expansion of the Alternative Certification Program.
- ◆ \$1.0 million for programs which support the Governor's Reading Initiative and facilitate implementation of the Class Size Reduction program.

Child Care and Development

- ◆ California will use the increased federal funding available through the Personal Responsibility and Work Opportunity Act of 1996 to make child care available to more low-income families, enhance the quality of child care services, and meet state staffing and reporting requirements. These efforts will include:
 - ▲ Expanding child care availability and provide child care for an additional 19,400 children.
 - ▲ Strengthening the quality of child care services and expanding child care availability, including high quality, center-based care for preschool-aged children.
- ◆ \$15 million is proposed to establish a revolving fund to provide new child care facilities to replace facilities lost to the Class Size Reduction program and meet the demand for additional facilities due to the expansion in child care services.

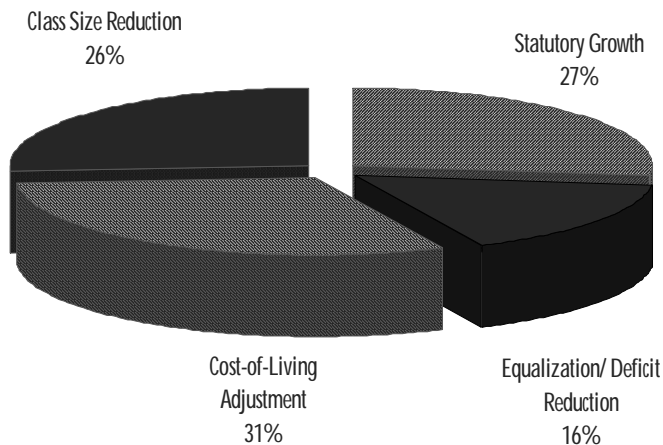
K-12 EDUCATION

K-12 Education Spending Per Pupil Proposition 98



- ◆ Per-pupil spending has increased to \$5,010, which is \$659 over the 1994-95 level. This translates into an average annual increase of nearly a 5 percent.
- ◆ Total funding for K-12 Education has increased by \$10.8 billion since 1990-91.
- ◆ From 1995-96, total funding for K-12 increased \$1.8 billion in 1996-97, and \$4 billion in 1997-98.

What the Proposition 98 Increase Buys in 1997-98



- ◆ Additional funding of \$488 million to support Class Size Reduction, including \$304.3 million to fully implement the program in all grades K-3, \$184 million for Class Size Reduction growth and cost-of-living adjustment, and an additional \$10 million will augment the Beginning Teacher Support and Assessment Program.
- ◆ Statutory growth funding of \$530 million, which fully funds statutory growth increases for apportionments and special education.
- ◆ Funding of \$312 million for continuation of the 1996-97 apportionment equalization and deficit reduction.
- ◆ A full statutory cost-of-living adjustment of \$598 million, or 2.53 percent, for apportionments, special education, and child development.

Governor's Initiatives (Dollars in Millions)

Improving Instruction

| | |
|--|----------------|
| Class Size Reduction (K-3) | \$304.3 |
| Special Education Reform | 76.7 |
| Oxnard Pilot Program | 2.2 |
| Reading Initiative | 57.5 |
| Teacher Credentialing | 9.0 |
| Beginning Teacher Support and Assessment | 10.0 |
| Math Initiative | 2.4 |
| Student Academic Partnerships | 5.0 |
| Pupil Assessments | 9.1 |
| Golden State Exams | 1.7 |
| Single Gender Academies Pilot | 5.0 |
| Total | \$482.9 |

Child Care

| | |
|-----------------------------------|---------------|
| Child Care Expansion | \$70.7 |
| Expanded Quality Assurance | 7.6 |
| Additional Staffing and Reporting | 1.2 |
| Facilities Expansion | 15.0 |
| Total | \$94.5 |

Prevention

| | |
|---|---------------|
| Academic Volunteer and Mentor Service Program | \$5.0 |
| Family-School Partnerships | 2.1 |
| At-Risk Youth Program | 6.4 |
| Advancement Via Individual Determination | 1.0 |
| Preschool Expansion | 10.0 |
| Early Mental Health Expansion | 3.0 |
| Total | \$27.5 |

Technology

| | |
|--|---------------|
| High School Educational Technology Grants | \$50.0 |
| California School Information Services Program | 10.0 |
| Donated Computer Program | 10.0 |
| Regional Technology Projects | 3.0 |
| Fiscal Integrity and Apportionments | 2.2 |
| Total | \$75.2 |

Total Initiatives

\$680.1

HIGHER EDUCATION Keeping the Promise

The Budget funds the third year of the Governor's four-year compact with the University of California (UC) and California State University (CSU) systems to promote budget stability and expand the state's investment in higher education.

The State and the university systems have honored or exceeded the following commitments of the compact:

Funding—The State has fully funded the compact and has also provided funding above the compact level.

Enrollments—Both systems have achieved significant gains in enrollment, exceeding the goals of the compact.

Transferability—UC and CSU continue to work successfully with each other and the community colleges to improve the transferability of courses among the three segments.

Productivity—Both UC and CSU have met the compact's goal of achieving at least \$10 million in new savings through productivity improvements each year.

Faculty Salaries—Both UC and CSU are making progress towards the goal of restoring faculty salaries to competitive levels emphasizing performance-based salary increases.

Capital Outlay—During the first two years of the compact, UC and CSU received a total of \$593 million for capital projects, and have been able to address many high-priority seismic, fire and life safety infrastructure and educational technology projects.

Higher Education Funding Total Funds

| | (Dollars in Millions) | | One-Year | Change |
|--|-----------------------|-------------------|----------------|-------------|
| | 1996-97 | 1997-98 | Amount | Percent |
| University of California ^{1/} | \$2,963.9 | \$3,099.5 | \$135.6 | 4.6% |
| California State University ^{1/ 4/} | 2,418.7 | 2,493.6 | 74.9 | 3.1% |
| Community Colleges ^{2/} | 4,211.8 | 4,449.6 | 237.8 | 5.6% |
| Student Aid Commission | 264.8 | 295.1 | 30.3 | 11.4% |
| Other Higher Education ^{3/} | 190.3 | 199.5 | 9.2 | 4.8% |
| Total Funds | \$10,049.5 | \$10,537.3 | \$487.8 | 4.9% |

1/ For purposes of this table, expenditures for the University of California and California State University have been adjusted to include the offsetting general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

2/ Absent one-time funds in 1995-96 and 1996-97, CCC expenditure growth would be 6.5 percent.

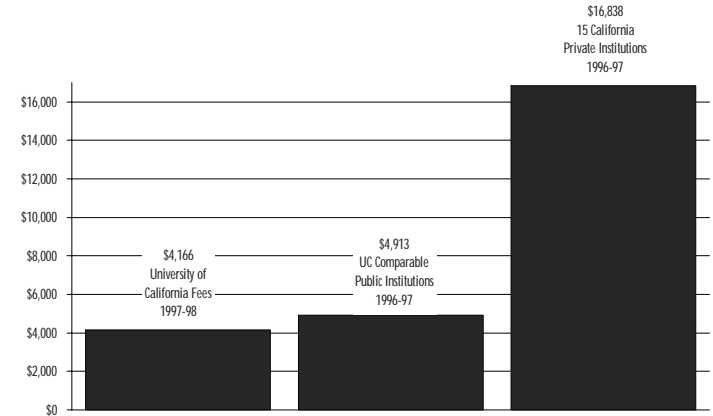
3/ Other Higher Education amount includes Hastings College of the Law (HCL), General Obligation Bond Interest and Redemptions for UC, CSU and HCL; California Postsecondary Education Commission.

4/ CSU's expenditures for 1996-97 include \$45 million in General Fund for one-time expenditure of funds carried over from prior years. Without these one-time expenditures in 1996-97, CSU's expenditures for 1997-98 would show a one-year increase of \$119.9 million or 5.1 percent.

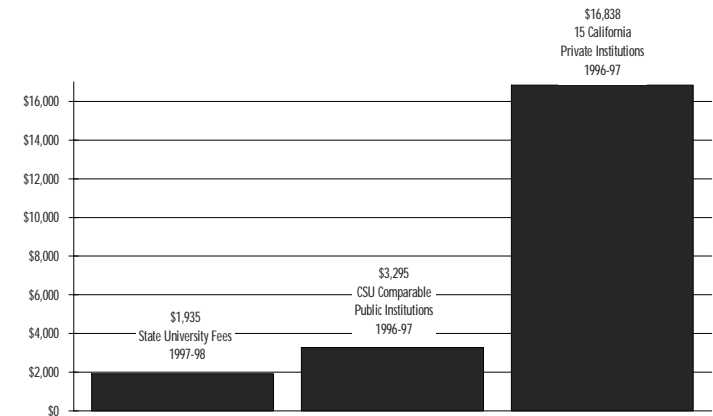
- ◆ There will be no increase in student fees for any level of higher education for the third consecutive year.
- ◆ Total higher education funding increases by an average of 4.9 percent; however, General Fund increases average 6.3 percent.
- ◆ The Budget provides an additional \$1 million (each) for UC and CSU to refocus and expand student academic outreach programs.
- ◆ The Budget provides provides an additional \$5 million to both UC and CSU to further develop and foster economic improvement initiatives within both segments.
- ◆ The Budget provides \$2 million in state matching funds for the California Supercomputer Center, located on the UC San Diego campus.

- ◆ The Administration is currently working with the higher education segments to improve the ability of UC and CSU to deliver capital improvement project more quickly with less cost.
- ◆ The Budget provides \$2.5 million in bond funds for capital improvements necessary for conversion of the former Stockton Developmental Center into a CSU campus.
- ◆ Fees at CSU are \$1,300 less than fees at comparable schools in 1996-97; UC fees are \$700 less; Community Colleges fees remain the lowest in the nation.
- ◆ Total financial aid, including grants, loans and work/study, from all state, fee, federal and private sources for California students is nearly \$5 billion.
- ◆ Financial aid grants of \$684 million from General Fund and fee revenue sources have more than doubled since 1990-91.
- ◆ Financial aid grants, through the Student Aid Commission, increase by 11.4 percent, including \$10 million to raise grant awards for new students attending private institutions.
- ◆ The Budget provides an additional \$1.2 million in the Cal Grant program for 500 new grants for students enrolled in or intending to enroll in programs leading to employment in digital animation.

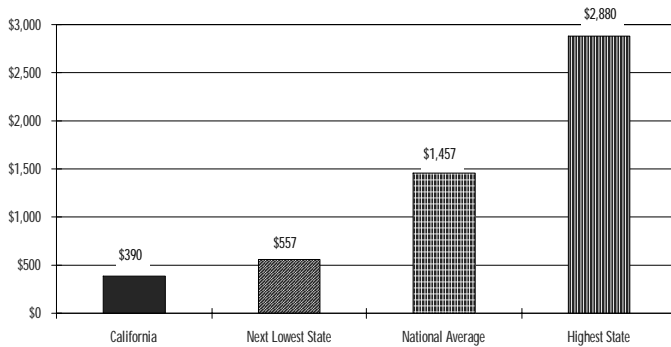
University of California Comparison of Resident Fee and Tuition Levels of Comparable Universities and California Private Institutions



California State University Comparison of Resident Fee and Tuition Levels at Comparable Public Universities and California Private Institutions



Resident Tuition and Required Fees Community Colleges (Average Annual Fees) 1996-97



Source: Washington State Higher Education Coordinating Board

- ◆ For Community Colleges, an increase of \$272.5 million in ongoing funding, or 6.5 percent, is proposed.
- ◆ The Community Colleges will be able to accommodate an additional 22,000 full-time equivalent students, bringing enrollment to its highest level ever.
- ◆ The Community Colleges will implement a welfare reform work/education program totaling more than \$53 million which will help recipients to move from welfare to work.
- ◆ A competitive grant program will provide nearly \$10 million to allow Community Colleges to take advantage of successful model programs to improve student outcomes.
- ◆ The telecommunications and technology infrastructure program has been augmented by \$4.7 million for a total program of \$14 million.

REFORMING CALIFORNIA'S WELFARE SYSTEM

On August 22, 1996, the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was signed into law, ending the Aid to Families with Dependent Children (AFDC) program and instituting the Temporary Assistance to Needy Families (TANF) block grant program. The Governor is proposing a significant redesign of the State's welfare program which will build on previous policy changes. The proposal encourages work, personal responsibility, and self-sufficiency for able-bodied recipients; at the same time, it continues aid for those unable to care for themselves and ensures a safety net for children. The Budget assumes implementation effective January 1, 1998.

Building on Successful Reforms

- ◆ The Teen Pregnancy Disincentive, which requires teen mothers to live at home, except in the case of documented abuse, as a condition of eligibility for aid.
- ◆ Two-year transitional Child Care and Medi-Cal for families who have left welfare for work.
- ◆ The Statewide Fingerprint Imaging System, which will reduce the incidence of multiple-case fraud by identifying applicants through fingerprint imaging.
- ◆ The Greater Avenues to Independence (GAIN) program.
- ◆ The Cal-Learn Program, which provides services and financial incentives to keep teen parents in school until high school completion. Counties have the option of continuing to participate in this program or implementing comparable programs.

- ◆ Relocation grants, which restrict grant payments to welfare recipients from other states to the same level as their state of origin.
- ◆ Regional grants, which account for different regional housing costs.
- ◆ Statewide 4.9-percent grant reduction. The Budget assumes this reduction will be made permanent.
- ◆ Maximum Family Grant, which limits grants for recipients by not increasing grant levels for children conceived while a family is on aid.

Significant New Policy Proposals

- ◆ The proposal establishes a State lifetime limit for assistance of five years, consistent with federal law, and limits the time a recipient can receive cash benefits to not more than 24 cumulative months in any 36-month period for those already receiving aid on January 1, 1998. For those applying for aid after January 1, 1998, assistance will be limited to not more than 12 cumulative months on aid in any 24-month period. In addition, grants will be reduced by 15 percent after six months on aid.
- ◆ All able-bodied adult recipients will be required to work, except for a single parent of an SSI/SSP-eligible disabled child, a mother with a child under the age of 12 weeks, and non-needy caretaker relatives. Activities counting toward the work requirement will include employment and limited job search/job club, education and training activities, and up to six months of community service.
- ◆ All income disregards will be eliminated, and recipients will be allowed to keep a percentage of their earnings.

- ◆ Community College resources will be expanded to provide education, training, work experience, and child care to assist recipients in moving from welfare to work.
- ◆ A non-cash safety net will be created for children whose families have exhausted their eligibility for benefits.
- ◆ A county block grant for administration and services will be created, and State law requiring counties to provide General Assistance cash payments will be eliminated.
- ◆ Savings resulting from caseload decreases will be shared with the counties to be reinvested in services and the children's safety net. Likewise, counties will also have a share of any federal penalties assessed against the State for failure to meet work participation or maintenance-of-effort requirements.
- ◆ Counties will have the option to provide for special needs (such as minor car repairs) to divert a family from welfare.
- ◆ A new "one strike and you're off" policy will deter intentional acts of fraud will. Those convicted of welfare fraud will be banned permanently from receiving benefits.
- ◆ Legal immigrants who arrived in the United States before August 22, 1996, will continue to be eligible for aid. Those arriving after that date are not eligible for federal aid for five years, consistent with federal law.

Child Care

- ◆ Federal child care funds will be used for child care needs of individuals moving from welfare to work, as well as to help prevent individuals from going on aid. Funds will also be used to plan for expanded center-based care.
- ◆ The Departments of Education and Social Services, along with county welfare directors, are developing appropriate mechanisms to ensure that these needs are met and that adequate coordination between agencies is provided.

Budget Proposals

The federal block grant amount is based on federal fiscal year 1995 federal fund expenditures on AFDC and related programs. Since that time, caseload has decreased and State policy reforms (including grant reductions) have been implemented. These changes have resulted in additional federal funding of \$820 million in 1996-97 and 1997-98 combined that can be invested in welfare employment and training programs, held in reserve for future needs, transferred to other federal block grant programs, or taken as a savings against welfare expenditures.

The Governor's Budget reflects a balanced approach to using the available federal revenues and other savings resulting from various policy changes. These funds will be used for the following:

- ◆ \$79.6 million will be invested in employment programs.
- ◆ \$60 million will be added to the GAIN program in both 1996-97 and 1997-98.

- ◆ \$110.1 million will be used for discretionary programs and changes to existing programs necessary to comply with federal reforms, such as the changes in child support and changing eligibility criteria for some children currently receiving SSI/SSP.
- ◆ \$33.2 million will be used to comply with federal welfare reform reporting and computer case tracking requirements.
- ◆ \$79.4 million will be used for retraining county welfare staff as their role changes from eligibility determination to case management.
- ◆ \$140.9 million will be allocated to counties to replace federal Emergency Assistance funding for county probation placements.
- ◆ \$274 million in 1996-97 and \$288.1 million in 1997-98 will be saved from the program and made available for other high-priority General Fund needs. Additionally, grant reductions, proposed to be made permanent, and other statutory changes previously enacted by the Legislature, result in \$60.6 million savings in 1996-97 and \$289 million savings in 1997-98.

THE EXPANDED PREVENTION AGENDA

The Budget continues and expands the Administration's prevention agenda and the commitment to prevention efforts which maintain the State's key role in protecting the health of children and families.

Infant Health And Protection Initiative (IHPI)

The Budget includes \$35.0 million (\$22.2 million General Fund) for the IHPI. The Initiative will provide better protection for infants from abuse and neglect at the hands of substance-abusing parents.

- ◆ The Budget includes \$23.5 million (\$17.2 General Fund) for the Department of Social Services to implement a five-county pilot program of early detection and intervention services for infants determined to be at -risk. An estimated 2,500 children and their families will be offered needed services such as substance-abuse treatment, home visitation and other child welfare services.
- ◆ As part of the Initiative, social workers will also be better equipped to identify and serve at-risk children through enhanced training, the standardization of risk assessment tools. In addition, and the use by hospitals of a statewide uniform drug screening protocol will now be a condition of licensure.
- ◆ The Budget also includes \$11.5 million (\$5.0 million General Fund) for the Department of Alcohol and Drug Programs to provide substance abuse treatment services to an estimated 11,100 pregnant and postpartum women residing in counties that do not participate in the IHPI pilot.

Partnership for Responsible Parenting

The Budget provides a total of \$60.4 million for full implementation of the media campaign, community challenge grant, statutory rape prosecution, mentoring, and male responsibility components of the Governor's Partnership for Responsible Parenting. Included is \$10 million to expand mentoring programs to \$20.6 million. The mentoring program is designed to assist at-risk youth to become productive members of society while reducing substance abuse, juvenile crime, teen pregnancy, gang association and the school dropout rate.

Other Prevention Initiatives

- ◆ **Tuberculosis Control Program Expansion.** The Budget includes \$2.9 million to house tuberculosis patients who are unwilling to complete prescribed drug treatment or who are unable to complete treatment due to homelessness, thereby preventing secondary cases of this highly contagious disease and reducing hospital costs.
- ◆ **Emerging Infectious Diseases.** The Budget includes \$3.4 million to protect the health of the public through expanded investigation and surveillance of new, reemerging or drug-resistant infectious diseases.
- ◆ **Preventing Unintended Pregnancy.** The Budget includes \$113.2 million within the Medi-Cal program to expand the provider network to ensure access to contraceptive services for the more than one million eligible low-income men and women.

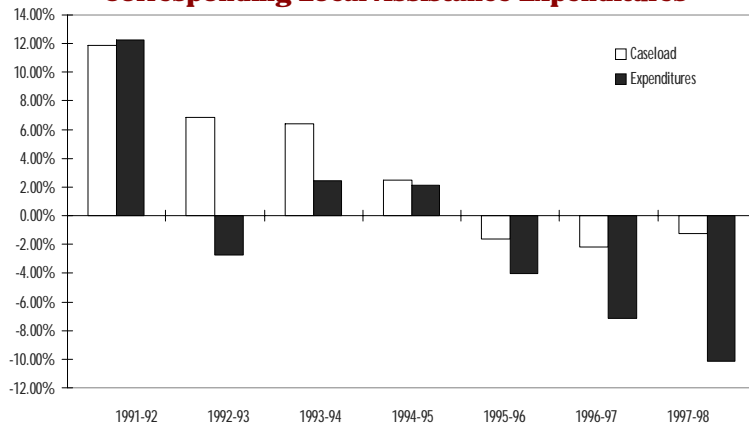
- ◆ **Family Physician Training.** The Budget adds \$2.3 million General Fund to provide a total of \$5.2 million for the Family Physician Training Program. This program provides grants to medical schools and specialized training programs with an emphasis on training family practice physicians. The augmentation will fund 25 family practice resident training positions and 24 nurse practitioner training positions.
- ◆ **Domestic Violence Prevention Initiative.** The Budget continues \$2.5 million for up to 30 local projects begun in 1996-97 for expanded shelter based services and community intervention projects, and \$11.5 million for the Battered Women Shelter program begun in 1994-95.
- ◆ **Child Health Exams and Immunizations.** The Budget includes \$15.3 million in the Child Health and Disability Prevention Program to expand childhood vaccine coverage, increasing the number of low-income children receiving immunizations for specific diseases from 1.4 to 1.8 million.
- ◆ **Childhood Lead Poisoning Prevention Program.** The Budget continues \$9.5 million to support prevention and abatement efforts, and case management services for approximately 4,800 children with excessive blood lead levels.
- ◆ **Healthy Start.** The Budget continues \$49 million to support coordinated and integrated health and social services for children; since the program's inception, programs have been initiated at nearly 1,000 school sites through the Healthy Start Program.

- ◆ **Student Academic Partnership Program.** The Budget includes \$5 million for grants to hire college students as tutors in approximately 100 elementary schools, providing tutoring to pupils in grades K-6 and providing college students jobs and exposure to teaching as a career.
- ◆ **Early Mental Health Initiative.** The Budget includes \$15 million to provide grants to schools for social and mental health services to children in grades K-3 who have behavioral or emotional difficulties which adversely impact their performance in school. An additional \$3 million has been included to serve an estimated 9,000 additional children.
- ◆ **Children's System of Care.** The Budget proposes \$9.4 million to expand the Children's System of Care programs to ten additional counties, for a total of 39 county programs.

AID TO FAMILIES WITH DEPENDENT CHILDREN/TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (AFDC/TANF)

For 1997-98, total AFDC/TANF expenditures are projected to be \$4.6 billion (\$1.97 billion General Fund). This compares to \$5.1 billion (\$2.2 billion General Fund) in 1996-97.

**Annual Percentage Change in AFDC Caseload and
Corresponding Local Assistance Expenditures**



After a period of rapid growth in the early 1990s, caseload is projected to decrease in 1997-98, for the third consecutive year, by 1.2 percent from 1996-97 or 3.4 percent below the 1995-96 level. Factors contributing to these caseload reductions include:

- ◆ A greater emphasis on developing job skills and education; increased work incentives and child care services; enhanced fraud prevention efforts; and an improved economy and increase in employment.

- ◆ The impact of the *Edwards v. Carlson* court decision which combines separate Assistance Units for non-sibling relatives living with a relative caretaker. While this change does not reduce the number of persons aided by the program, it reduces caseload by 7,415 child-only cases and generates savings because adding a person to an existing case costs less than establishing an additional case.
- ◆ The Budget includes net savings of \$26.4 million General Fund in 1996-97 and \$134.2 million General Fund 1997-98, resulting from regional grants and a statewide 4.9-percent grant reduction implemented on January 1, 1997. These reductions were first authorized by the Legislature as a part of the 1995-96 Budget, but required federal authorization which was achieved with the enactment of federal welfare reform. The Budget assumes that the 4.9 percent grant reduction will be made permanent.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP)

For 1997-98, total SSI/SSP General Fund expenditures are projected to be \$1.66 billion. This compares to \$2.069 billion in 1996-97. This decrease results from program changes included in federal welfare reform, which eliminated eligibility for approximately 243,700 legal immigrants, of which about 160,000 are expected to become naturalized citizens and again become eligible for SSI/SSP. Federal welfare reform also eliminated eligibility for approximately 10,500 children whose disability no longer qualifies for SSI/SSP, most of whom will qualify for TANF. These changes reduce caseload in 1997-98 to 943,750 recipients, an 8.6-percent reduction below the estimated 1996-97 caseload of 1,035,450 recipients.

California SSI/SSP Payment Standards

| Program Change and Implementation Date | Independent Living Arrangement Aged and Disabled | | | |
|---|---|--------------------|---------------------|--------------------|
| | Individuals | | Couples | |
| | High-Cost Region | Low-Cost Region | High-Cost Region | Low-Cost Region |
| Grant Levels as of December 1, 1996 | \$626 | -- | \$1,101 | -- |
| Federal 2.9% COLA January 1, 1997 | 640 | -- | 1,122 | -- |
| 4.9% Statewide Reduction October 1, 1997 | 610 | -- | 1,087 | -- |
| 4.9% Regionalization October 1, 1997 | 610 | \$582 | 1,087 | \$1,035 |
| Federal 3.4% COLA January 1, 1998 | 626 | 598 | 1,111 | 1,059 |

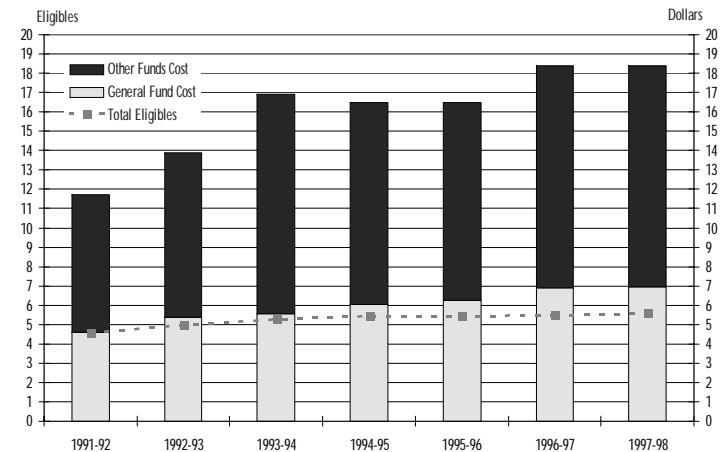
- ◆ General Fund expenditures in 1996-97 are \$277 million greater than the 1996 Budget Act due to the failure of the federal government to provide maintenance-of-effort (MOE) relief in the federal welfare reform bill.
- ◆ The Budget assumes federal legislation will be enacted to provide MOE relief in 1997-98. This will allow implementation of the previously enacted 4.9-percent statewide grant reduction and the regional grant reduction of 4.9 percent for recipients living in counties with lower housing costs, effective October 1, 1997. The Budget also assumes that state legislation will be enacted to make the 4.9-percent statewide reduction permanent. These actions will provide General Fund savings of \$268 million.
- ◆ These grant reductions will be offset by federal cost-of-living adjustments of 2.9 percent on January 1, 1997, and 3.4 percent on January 1, 1998.

IN HOME SUPPORTIVE SERVICES (IHSS)

- ◆ The Budget includes an increase of \$37 million General Fund in 1996-97 and \$90.3 million General Fund in 1997-98 for increased costs of in-home care providers resulting from federal and state increases in the minimum wage.
- ◆ Current state law links IHSS eligibility to SSI eligibility. Eliminating 40,200 non-citizens from IHSS due to federal welfare reform, and restoring IHSS services for 26,400 who are expected to become naturalized citizens, will result in General Fund savings of \$24 million in 1997-98.

MEDI-CAL PROGRAM

Growth of Medi-Cal Caseload and Costs, 1991-92 through 1997-98 (Eligibles in Millions, Dollars in Billions)



- ◆ Medi-Cal costs for 1997-98 are projected to be \$18.4 billion (\$6.9 billion General Fund), essentially the same amount as 1996-97.
- ◆ Overall caseload growth in 1997-98 is 1.4 percent compared to a 2-percent growth in the state population. The average monthly number of persons enrolled in Medi-Cal is about 5.6 million, which represents approximately one of every six Californians.
- ◆ Growth in Medi-Cal costs results primarily from increased levels of service, higher-priced services, as well as court-ordered and statutory program enhancements including new drugs for AIDS treatment, debt service payments for hospital capital projects, and Medicare health insurance premiums.

- ◆ The year-to-year cost increase in Medi-Cal is mitigated by the assumption of increased federal funding for the cost of services to illegal immigrants (\$216 million), increases in the federal cost-sharing formula (\$103 million), and ending prenatal care for illegal immigrants (\$80 million).
- ◆ The Budget also includes innovative cost containment strategies to address hospital and nursing facility utilization, reduce the use of costly non-invasive procedures, reprice drug ingredient costs, and cap selected benefits and services at prescribed dollar levels to prevent unnecessary overuse. These proposals are estimated to save nearly \$38 million General Fund.

LOCAL GOVERNMENT Partners in Change

Welfare Reform

- ◆ Counties must become active participants in designing programs at the local level that move recipients from welfare to work.
- ◆ Counties will receive a block grant for administrative and service costs.
- ◆ Counties will have maximum flexibility to recast programs and will receive 25 percent of the State's share of caseload reduction savings as an incentive to move people into the workforce.
- ◆ The Administration proposes the elimination of the mandate in the Welfare and Institutions Code that requires counties to operate a specified cash grant General Assistance program.

Infrastructure Bank

- ◆ The Governor's Budget proposes a \$200 million General Obligation Bond for the capitalization of an Infrastructure Bank. The Bank will assist local governments in the financing of roadways, sewers and other critical infrastructure needs.

Other County Assistance

- ◆ The Budget proposes that \$140.9 million of the TANF block grant be allocated to counties for probation costs.
- ◆ Increased funding of \$9 million is proposed for Department of Mental Health state hospital overhead costs to avoid shifting this cost to counties.
- ◆ The Children's System of Care is increased by \$9.4 million to expand county participation by 10 for a total of 39 counties.
- ◆ The Budget continues \$100 million for the Citizens' Option for Public Safety program.
- ◆ The maximum amount allowable under the Federal Crime Bill-\$14.9 million or 15 percent-will be allocated to local governments.

Trial Court Funding

The Administration remains committed to the consolidation of trial court funding at the state level to ensure timely access to justice and clear accountability for management of court operations. In addition:

- ◆ \$4 million is proposed for 40 new trial court judgeships.
- ◆ \$8 million is proposed for courtroom security costs.
- ◆ The Budget includes \$14 million to address some of the most important concerns relating to jury reform.

RESOURCES AND ENVIRONMENTAL QUALITY

The State is working with the public, private, and nonprofit sectors to protect natural resources and address the needs of habitats and species by integrating environmental, economic, and social objectives. For 1997-98, major policy initiatives are proposed by the Administration that advance this cooperative, integrated approach to natural resources management:

- ◆ Coastal Initiative
- ◆ Watershed Initiative
- ◆ Natural Community Conservation Planning (NCCP)
- ◆ Proposition 204
- ◆ Protection of the Headwaters Forest

THE COASTAL INITIATIVE

In order to fulfill the vision of the people of California in passing the Coastal Act and in otherwise improving coastal resources, the Budget proposes a Coastal Initiative consisting of policies and funding proposals that will provide for improved public access to the coast, enhanced wetlands conservation, and more accountable local decision-making on coastal matters.

The Budget proposes \$17 million for the following activities in the Initiative:

- ◆ Coastal Wetlands Restoration and Protection—\$6.3 million
- ◆ Coastal Water Quality—\$1.4 million
- ◆ Improved Coastal Planning—\$1 million
- ◆ Coastal Access and Protection—\$1.6 million
- ◆ Beach Restoration and Enhancement—\$3.4 million
- ◆ Local Assistance—\$3.4 million

THE WATERSHED INITIATIVE

Evolution from time-consuming, costly, and burdensome project-by-project and species-by-species reviews to watershed-oriented environmental assessments can save time and money. The Governor's Watershed Initiative is designed to build on California's experience with ecosystem management by expanding this work to key watersheds of the State.

The objectives of the Initiative are:

- ◆ Community-based Watershed Habitat Approach
- ◆ Streamline Permit Process
- ◆ Recover Deteriorating Watersheds
- ◆ Delist Species
- ◆ Avoid New Listings

The Budget proposes \$3.8 million allocated to the following activities:

- ◆ Interagency watershed management team
- ◆ Conduct watershed assessments
- ◆ Identify critical environmental problems in high-priority watersheds
- ◆ Geographic information system data base support
- ◆ Guidance and technical assistance to community-based watershed groups
- ◆ Grants for habitat restoration
- ◆ Grants to resource conservation districts

NATURAL COMMUNITIES CONSERVATION PLANNING (NCCP)

The NCCP is California's—and arguably the nation's—foremost example of a new generation of natural resource conservation policies are focused on habitat and ecosystem management, rather than species-by-species management. The goal of the program is to protect sufficient acreage in regional preserves to assure survival of the ecosystem and, at the same time, permit compatible uses of less sensitive land. Since the program began in 1991, state, local, and federal agencies have worked cooperatively with private landowners to make significant progress on or complete species and habitat conservation plans in Southern California covering well over one million acres.

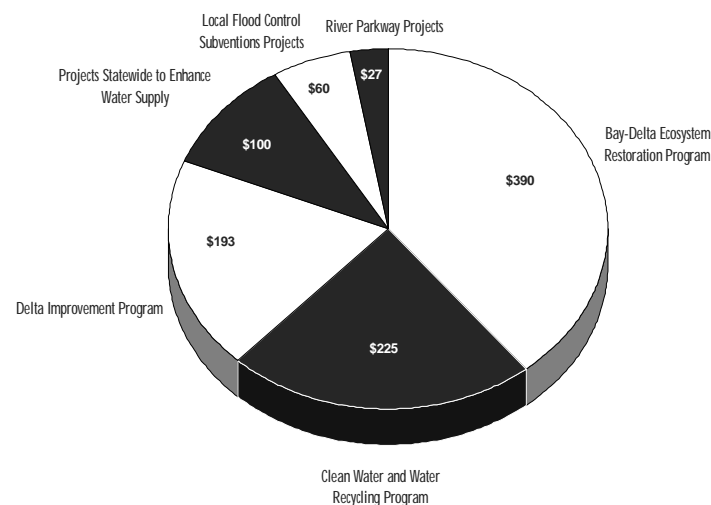
The planning for and the implementation of the NCCP plans in Southern California will continue for years. The Budget provides \$13 million to build on the foundation of the past five years.

- ◆ \$6.4 million for acquisition of coastal sage scrub and other habitat.
- ◆ \$5 million for acquisition and restoration of coastal wetland and watershed habitat.
- ◆ \$1.6 million for assistance to local governments in establishment and implementation of local NCCP plans.

PROPOSITION 204

This \$995 million bond measure represents a major milestone in the restoration of the San Francisco Bay/Sacramento-San Joaquin Delta Estuary and in the success of the Administration's State Water Policy.

Safe, Clean, Reliable Water Supply Act Proposition 204 (Dollars in Millions)



PROTECTION OF THE HEADWATERS FOREST

An historic agreement to acquire and permanently protect approximately 7,500 acres of virgin and second generation old-growth ancient redwoods (Headwaters Forest) in Humboldt County, long a goal of the Governor's "Resourceful California Initiative," was reached. A total of \$380 million in land and assets from the federal government (\$250 million) and the State (\$130 million) is proposed for compensation to the landowner.

In addition to these Administration initiatives in Resources and Environmental Protection, the Budget contains the following expenditure highlights within the departments of the Resources Agency and California Environmental Protection Agency (CalEPA).

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CalEPA)

Water Resources Control Board

- ◆ Nearly \$91 million is proposed in the Budget for the Underground Storage Tank Cleanup Program including cleanup activities associated with commingled plumes from leaking underground storage tank sites.

Integrated Waste Management Board

- ◆ The Budget provides more than \$5 million to expand efforts to eliminate illegal and unsafe waste tire storage.

Department of Pesticide Regulation

- ◆ The Budget contains \$1 million to increase the Pest Management Grants Program, which provides competitive grants to develop and implement programs to reduce the risks that may be posed by existing pesticides and practices.

Permit Assistance Centers

- ◆ \$300,000 is proposed in the Budget for increased access via the Internet to the 13 Permit Assistance Centers, which provide a single point of access to state and local permitting agencies.

Department of Toxics Substances Control

- ◆ The Budget proposes nearly \$6 million to fund the costs of mandatory state match at federal National Priority List (Superfund) sites for final remedial and long-term operation and maintenance activities.

Office of Environmental Health Hazard Assessment

- ◆ The Budget includes \$835,000 to fund health risk assessments and to adopt public health goals for drinking water contaminants.

RESOURCES AGENCY

Department of Forestry and Fire Protection

- ◆ The Budget contains \$839,000 for expansion of the Department's pre-fire management plan, which reduces the potential severity of wildland fires, especially near urban areas.

Department of Water Resources

- ◆ The Budget includes \$418,000 to provide much-needed equipment and maintenance to the State's Flood Forecasting System and to the Department's telemetry network.
- ◆ \$9 million is included in the Budget for the fourth and final year of a project by the City of Los Angeles to replace diversions from Mono Lake and restore the lake to its historical water levels.

California Conservation Corps

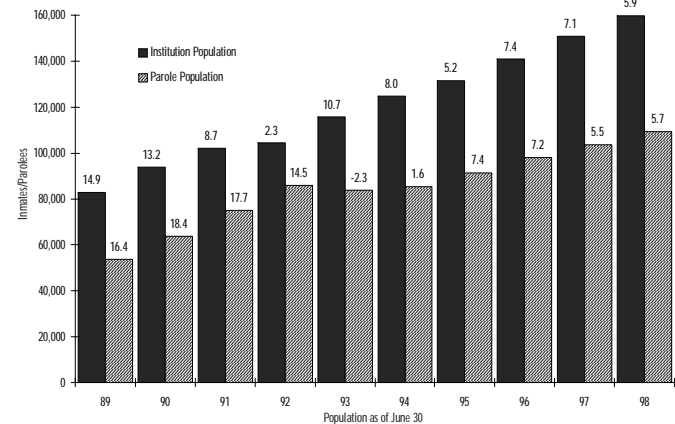
- ◆ \$8 million from the Petroleum Violation Escrow Account is included in the Budget for an energy assistance program to weatherize 8,000 homes of low-income families.

Department of Fish and Game

- ◆ The Budget provides more than \$13 million for salmon habitat restoration and enhancement projects.
- ◆ \$1 million is contained in the Budget for expansion of the Department's Game Bird Heritage Program, with emphasis in Southern California.
- ◆ Included in the Budget is \$721,000 to increase the number of striped bass in the San Francisco/Sacramento-San Joaquin Delta complex.

DEPARTMENT OF CORRECTIONS

Department of Corrections Institution and Parole Population Growth



Figures above the bars represent the percentage change from the previous year.

- ◆ **Prison Population**—The prison inmate population is projected to increase from 150,970 on June 30, 1997 to 159,823 on June 30, 1998, an increase of 8,853 inmates or 5.9 percent. Incarceration will be provided through 33 institutions, 13 reception centers, 38 camps and 53 community correctional facilities with a housing crowding capacity of 132,623.
- ◆ **Parole Population**—As of June 30, 1997, the parole population will be 103,382. This population is projected to increase to 109,282 on June 30, 1998, an increase of 5,900 or 5.7 percent.
- ◆ **Illegal Immigrant Felons**—The Budget assumes federal reimbursement of \$299 million for incarceration costs of adult and juvenile felons for 1997-98. The cost to California of incarceration and parole supervision of these individuals is estimated to be \$518 million.

- ◆ **Sexually Violent Predators**—\$3.5 million is continued to screen, track, and refer potential sexually violent predators to the Department of Mental Health for clinical evaluation and possible referral to the appropriate county of commitment prior to release of the individual on parole.
- ◆ **Corcoran II-Substance Abuse Treatment Facility**—The nation's largest Substance Abuse Treatment Facility in a prison setting (1,056 beds) is scheduled to open in September of 1997. The Budget proposes funding this program in 1997-98 with \$3.7 million General Fund and \$1.4 million in Federal Crime Bill Funds.

DEPARTMENT OF THE YOUTH AUTHORITY

- ◆ The Department of the Youth Authority is budgeted for an institution population of 9,425 on June 30, 1997 and 9,545 on June 30, 1998. Although the number of wards committed to the Youth Authority is expected to continue increasing, recently enacted legislation requires M-Cases (Department of Corrections [CDC] inmates housed at the Youth Authority) to generally be transferred from the Youth Authority to CDC after their 18th birthday. As a result, institution population is increasing more slowly than previously anticipated.
- ◆ An augmentation of \$175,000 is provided to establish a new electronic monitoring program for high-risk parolees.
- ◆ \$1 million is included for continuation of the new specialized counseling programs at Ventura School and Heman G. Stark Youth Training School (YTS).
- ◆ An additional \$175,000 is provided to expand the Young Men as Fathers and Preparing for Positive Parenting Programs, which focus on increasing the parenting knowledge and skills of wards and parolees who are fathers.

- ◆ Additional funding is provided for security enhancements including: \$900,000 for a personnel tracking system at all institutions (1996-97); \$1.4 million to provide relief coverage for senior youth counselors and senior group supervisors on their regular days off; and \$73,000 to provide an additional perimeter patrol and \$257,000 to establish five canine teams at YTS.

DEPARTMENT OF JUSTICE

- ◆ The Budget proposes an increase of \$321,000 to expand the Foreign Prosecution Program—a cooperative effort between California and Mexico to apprehend and prosecute Mexican nationals who have committed violent crimes in California and have fled to Mexico.
- ◆ An increase of \$266,000 is proposed to establish a team to solve old homicide cases.
- ◆ The Budget provides an increase of \$725,000 to establish an Imperial County Border Interdiction Team, which will work in conjunction with the Imperial County Regional Narcotics Task Force to intercept drugs being smuggled into California.
- ◆ An increase of \$1.4 million special funds is provided to retain information on individuals arrested for misdemeanor driving under the influence (DUI) and to fingerprint those arrested on this charge.
- ◆ The Budget includes an increase of \$255,000 to implement California's version of the federal "Megan's Law," which requires information regarding sex offenders to be released to the public by the Department of Justice on a CD-ROM or other electronic media.

OFFICE OF CRIMINAL JUSTICE PLANNING

- ◆ The Budget includes \$705,000 to establish the second authorized hospital-based medical evidentiary training center.
- ◆ The Budget includes \$10.7 million federal funds for the Violence Against Women Act Program. These funds will be used for the development and implementation of effective law enforcement and prosecution strategies to combat violent crimes against women and to provide services to women who are victims of violent crimes.
- ◆ An additional \$5.8 million federal funds is included for the Victims of Crime Program to enhance crisis intervention services, counseling, and emergency assistance to victims of physical and sexual abuse.

**COMMISSION ON PEACE OFFICER
STANDARDS AND TRAINING**

- ◆ The Budget continues \$2 million for training law enforcement officers on cultural diversity and tolerance issues at the Simon Wiesenthal Center, Museum of Tolerance in Los Angeles. This funding will provide training opportunities to approximately 7,000 local law enforcement officers throughout the State.

BUSINESS, TRANSPORTATION AND HOUSING

CalTrans

- ◆ The Governor's Budget proposes a net increase of nearly \$44 million for contracts with private sector architectural-engineering design consultants to accelerate the delivery of \$480 million of transportation projects.
- ◆ As of December 1996, 1,155 structures in Phase II of Caltrans' highway bridge Seismic Retrofit Program have been determined to need some retrofit at an estimated cost of \$1.35 billion from Proposition 192 funds. Retrofit of 846 of these structures is either completed or underway; the remaining 309 are estimated to be completed or under construction by June 1998, at a cost of \$328 million in 1997-98.
- ◆ The Budget proposes the expenditure of \$457 million in Proposition 192 bond funds in 1997-98 for retrofit work on the state's seven toll bridges and \$500 million in State Highway Account reserves have been identified to assist in addressing the unfunded costs of retrofitting the State's toll bridges.

Department of Motor Vehicles

- ◆ Consistent with current law, the Budget proposes the expenditure of \$19 million to require every driver and motor vehicle owner to establish financial responsibility at the time of vehicle registration.
- ◆ Consistent with current law, the Budget also contains \$8 million to transfer the responsibility for the regulation of intrastate motor carriers from the Public Utilities Commission to the Department of Motor Vehicles and California Highway Patrol.
- ◆ The Budget proposes to increase driver's license and related fees to levels which recover more of the Department's costs, which will raise about \$50 million in 1997-98.

TRADE AND COMMERCE

- ◆ The Budget includes an augmentation of \$939,000 to open three foreign trade offices in South Korea, China, and Brazil. These offices will assist California in expanding new foreign markets.
- ◆ The Administration also proposes a \$200 million General Obligation Bond to be placed on the June 1998 statewide ballot to capitalize the California Infrastructure and Economic Development Bank.

GENERAL GOVERNMENT

Department of Fair Employment and Housing

- ◆ The mission of the Department of Fair Employment and Housing is to promote and enforce the civil rights of the people of California. The Budget includes an augmentation of \$2.5 million for the Department to increase its service to the citizens and employers of California by reducing the time required for investigation of employment complaints.

Fair Employment and Housing Commission

- ◆ The Fair Employment and Housing Commission budget includes an augmentation of \$403,000 for the Commission to conduct hearings of employment discrimination accusations filed by the Department of Fair Employment and Housing.

Department of Veterans Affairs

- ◆ Construction of a 400-bed Chula Vista Veterans Home will begin in 1997, and is expected to be completed by July 1999. The 1997-98 Budget includes \$209,000 for a pre-activation unit to initiate preparations for this home.

California Science Center

- ◆ Beginning in 1997-98, the Museum of Science and Industry will be renamed the California Science Center. The Center's new exhibit hall is expected to open in September 1997. The Budget includes an augmentation of \$2.5 million for building and exhibit maintenance, exhibit security, and one-time equipment, as well as \$3 million for debt service on the new facility.

Office of Emergency Services (OES)

- ◆ The Budget includes \$481,000 for development of a centralized training facility as well as ongoing training and operational costs for the Urban Search & Rescue Program.
- ◆ An additional \$277,000 is provided for purchase of fire, rescue, and communications equipment for OES fire and rescue engines, so that these engines will function at maximum efficiency.

Department of Industrial Relations

- ◆ The Budget includes \$210,000 to restructure the CAL-OSHA General Industry Safety Orders and consolidate over 1,200 regulations in Title 8 of the California Code of Regulations. An additional \$1.3 million is included to conduct prevailing wage surveys.

Department of Food and Agriculture

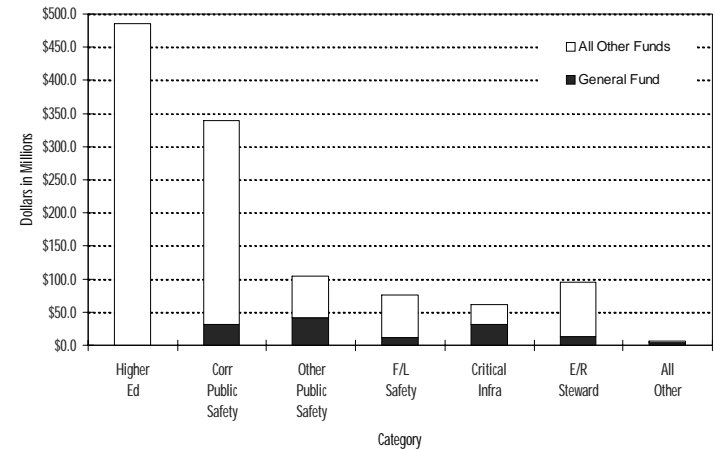
- ◆ An increase of \$1 million is proposed to fund public education, outreach, and compliance activities designed to reduce the introduction of foreign agricultural pests and diseases.
- ◆ An additional \$364,000 is included to fund new activities relating to representation of California's interest in the international agricultural community on issues of maximum residue limits.

Military Department

- ◆ The Budget includes more than \$6 million increased reimbursements for the Angel Gate Academy at Camp San Luis Obispo. The Academy, a joint effort of the California National Guard and the Los Angeles Unified School District, will provide a proactive 12-month intervention program for middle school students, grades six through eight, who are at risk of school failure and involvement with the legal system.
- ◆ An increase of \$1 million is included to rehabilitate National Guard facilities throughout the State.

STATE INFRASTRUCTURE

Recommended Funding by Project Category



The Budget includes funding of \$1.17 billion in capital outlay programs from various funding sources, including existing General Obligation bond authorizations. Highlights include:

- ◆ **\$486 million for higher education facilities**, including a commitment with the two university systems to explore methods of streamlining their capital outlay processes.
- ◆ **\$444 million for correctional (\$338.8 million) and other public safety-related infrastructure (\$105.3 million)**, including Federal and General Funds to design three prisons and construct one of them.
- ◆ **\$96 million in environment and resource stewardship projects**—\$12.6 million from the General Fund for the Coastal Initiative, and \$83.1 million from various special and bond funds for projects to protect and enhance natural resources for public enjoyment and habitat conservation.

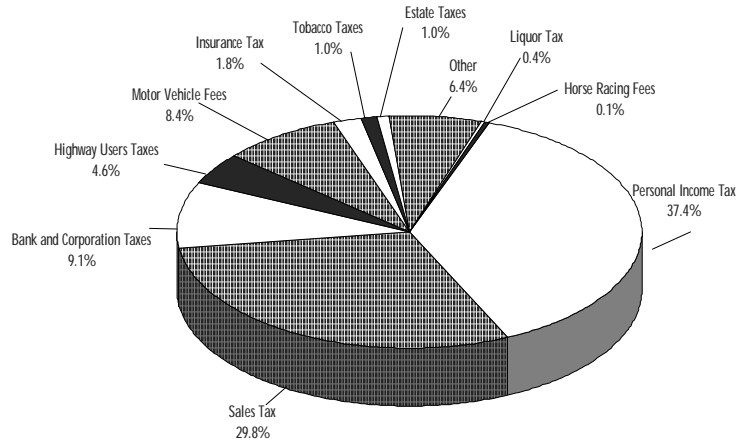
- ◆ \$138 million in fire/life safety (\$76.5 million) and critical infrastructure projects (\$61.7 million)
- ◆ \$6 million in cost-saving projects, capital outlay planning funds, and other infrastructure projects in various departments.

SUMMARY CHARTS

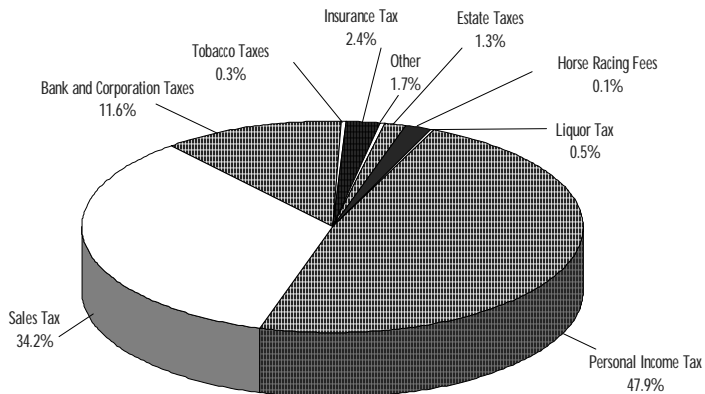


REVENUES 1997-98 FISCAL YEAR

Total Revenues and Transfers

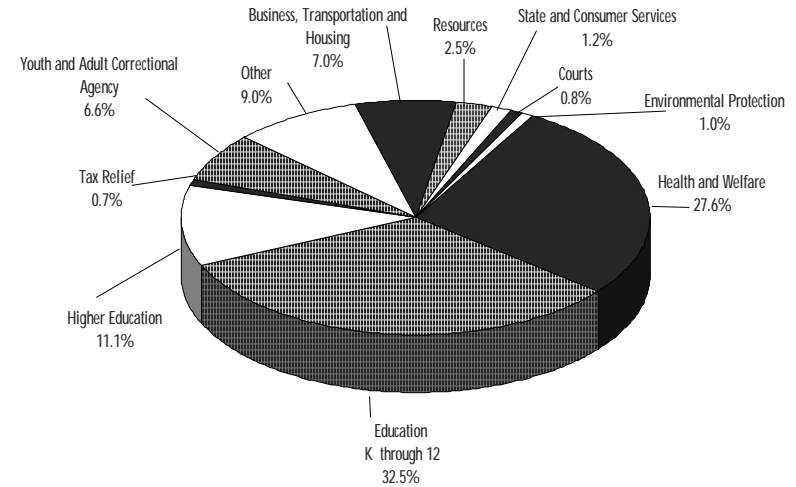


General Fund Revenues and Transfers

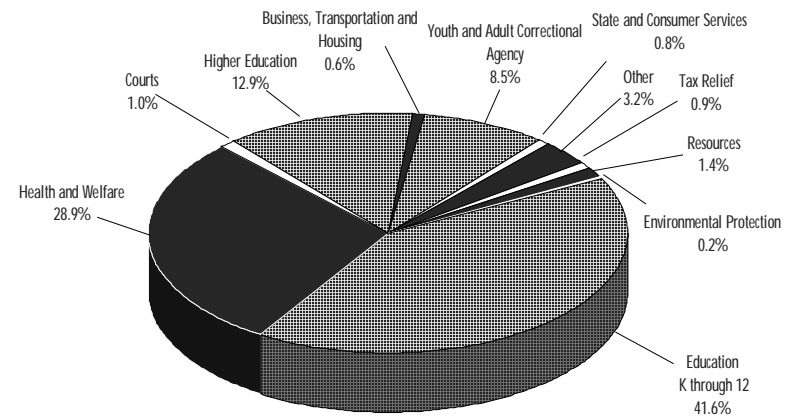


EXPENDITURES 1997-98 FISCAL YEAR

Total Expenditures
(Excluding Selected Bond Funds)



General Fund Expenditures



SUMMARY CHARTS

1997-98 REVENUE SOURCES (Dollars in Millions)

| | General Fund | Special Fund |
|--------------------------|-----------------|-----------------|
| Personal Income Tax | \$24,240 | -- |
| Sales Tax | 17,325 | \$1,962 |
| Bank and Corporation Tax | 5,860 | -- |
| Highway Users Taxes | -- | 2,946 |
| Motor Vehicle Fees | 37 | 5,430 |
| Insurance Tax | 1,196 | -- |
| Estate Taxes | 655 | -- |
| Liquor Tax | 262 | -- |
| Tobacco Taxes | 169 | 487 |
| Horseracing Fees | 37 | 37 |
| Other | 876 | 3,213 |
| Total | \$50,657 | \$14,075 |

1997-98 EXPENDITURES BY FUND (Dollars in Millions)

| Function | General Fund | Special Funds | Bond Funds | Total |
|--------------------------------------|-----------------|------------------|----------------|-----------------|
| Education (K-12) | \$20,936 | \$58 | \$135 | \$21,129 |
| Health and Welfare | 14,537 | 3,320 | -- | 17,857 |
| Higher Education | 6,494 | 657 | 487 | 7,638 |
| Business, Transportation and Housing | 289 | 4,204 | 1,014 | 5,507 |
| Trade and Commerce | 46 | 15 | -- | 61 |
| Courts | 498 | -- | -- | 498 |
| Tax Relief | 476 | -- | -- | 476 |
| Local Government Subventions | 110 | 3,622 | -- | 3,732 |
| Youth and Adult Corrections | 4,257 | 10 | 21 | 4,288 |
| Resources | 716 | 897 | 198 | 1,811 |
| Environmental Protection | 122 | 542 | 90 | 754 |
| State and Consumer Services | 380 | 391 | 48 | 819 |
| Other | 1,440 | 627 | 1 | 2,068 |
| Total | \$50,301 | \$14,343 | \$1,994 | \$66,638 |

SUMMARY CHARTS

GENERAL FUND BUDGET SUMMARY (Dollars in Millions)

| | 1996-97 | 1997-98 |
|--|-----------------|-----------------|
| Beginning Resources | \$685 | \$648 |
| Revenues and Transfers | <u>\$48,406</u> | <u>\$50,657</u> |
| Total Resources | \$49,091 | \$51,305 |
| Expenditures | <u>\$48,443</u> | <u>\$50,301</u> |
| Fund Balance | \$648 | \$1,004 |
| Budget Reserves: | | |
| Special Fund for Economic Uncertainties | \$197 | \$553 |
| Reserve for Liquidation of Encumbrances | \$451 | \$451 |

EXECUTIVE OFFICE

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Management, Statewide Issues Carl Rogers 445-5332

Education Kathryn Gaither 445-0328

Health and Welfare Stan Cubanski 445-6423

Revenue Forecasting, Economic
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Business, Transportation and Housing,
and Trade and Commerce Wallis Clark 322-2263

Youth and Adult Correctional, Justice,
General Government and
State and Consumer Services Calvin Smith 445-8913

Resources, Environment, Energy,
Capital Outlay and Legislation Fred Klass 324-0043

Employee Relations, Retirement
Systems Robert Straight 327-0201

* Judicial and Local Government

California's Budget on the Internet

This document is also available on the Internet at the California
Department of Finance home site—<http://www.dof.ca.gov>